

<b>Public Accounts Select Committee</b>			
<b>Report Title</b>	Income Generation Update		
<b>Key decision</b>	No	<b>Item No</b>	4
<b>Contributors</b>	Strategic Procurement and Commercial Services Manager		
<b>Class</b>	Part 1	<b>Date</b>	20 March 2019

## 1. Purpose of paper

- 1.1. To provide an update on the progress of implementation of the new Income Generation Strategy, the fees and charges work programming and service development to support both activities.

## 2. Recommendations

- 2.1. The Public Accounts Select Committee is recommended to:

- note the update on income generation provided by this report;
- note the work planned and achieved against developing capacity within service group;
- note that work is achieving against the workplan identified and the full work programme scoped in appendix A.

## 3. Policy context

- 3.1. This work has been undertaken in line with the Corporate Strategy 2018-22:

- Directly supporting the objective to build an economy for the many; and
- Indirectly supporting the remaining six objectives through supporting a sustainable financial position which will fund activity in these areas.

## 4. Background

- 4.1. Over the course of the last six years, the Council has undertaken a significant revenue budget reduction programme to manage the difficult financial challenge arising from austerity. The Council has already made cuts of £160.6m to meet its revenue budget requirements since May 2010 and is seeking to find £30m in savings in the medium term, by 2020/21. In addition, the Council faced an unprecedented overspend of £16.5m in 2017/18 which has created additional pressures.

- 4.2. The Council has identified the need to develop a clear income generation strategy and culture and ethos to ensure that vital levels of service delivery can continue throughout a period of sustained austerity and funding cuts.
- 4.3. Further to the Committee's work programme commitment to consider regularly the Council's approach to income generation, as well as the work by Committee under the previous administration of income generation and commercialisation, three key lines of enquiry were established. The last report, of September 2018, addressed the first and second of these in relation to the work to develop a new Income Generation Strategy. Those lines of enquiry are set out below:

#### Understanding and benchmarking

- How much money does Lewisham currently generate through its income generating activities?
- Where does Lewisham sit in relation to its peers?
- What is a realistic target in terms of income generation?

#### Progress

- What progress has been made on implementing the recommendations of the income generation opportunities review?
  - How is the development of a new income generation strategy progressing?
  - How well do the fees and charges and the income board operate?
- 4.4. This paper will consider progress since the last report in December 2018 and the adoption of the Income Generation Strategy thereafter by Mayor and Cabinet.

### **5. Income Generation Strategy**

- 5.1. The new Income Generation Strategy was approved by Mayor and Cabinet in February 2019. This strategy is now live and services will be expected to align their work with its objectives and follow the processes set-out within.
- 5.2. A programme of culture change to move the organisation towards a more commercial mindset is key to embedding the strategy and part of its objectives. In order to progress this, the following action has taken place:
  - The new strategy has been to the organisation's Executive Management Team meeting, where the Interim Chief Executive and Executive Directors have signed up to the new approach and endorsed it to provide top-tier sponsorship.
  - Work has been undertaken to consider change theory and models which could be used to support the development of the culture piece. This is discussed further at point 5.3 onwards.

- The Organisational Development team have been made aware of the new strategy and work has begun with them to review opportunities to address the cultural shift required, including existing learning and development, new tailored training and softer transmission across the organisation in partnership with our Communications team.
- Initial work has taken place with select services to develop tools for the organisation to support the work. A cost-model has been developed using feedback from work with initial services reviewing their charges, and this forms the basis of a guidance and toolkit package to support work in the organisation and reduce barriers to engagement.
- APSE have supported work with Environment Services around commercialisation, doing specific work to review their income generating activity across the division and providing a workshop on the new business case model and basic training on economic principles and concepts relevant to commercial delivery, which will be drawn on to some extent for the wider organisational piece.

5.3. In terms of change theory being considered, officers have reviewed the models of Lewin, Kotter and Tuckman. In brief, each model sets out an early change state as one in which the organisation is in a transitional phase of uncertainty. Typically after long periods of stability, which sometimes leads to drift, or lack of adaptation to change as necessary, the organisation will move into a state of what is often referred to in relation to Lewin, 'controlled crisis' where the reasons for change are made apparent and urgent. In the case of income generation, this arises from the ongoing reductions in resource set out in the background of this report, which have necessitated a new approach to provide financial resilience and enable continued service improvement.

5.4. In Lewin's model, there are three stages – unfreeze, change and refreeze. The factors which have compelled this new way of thinking have unfrozen the organisation, and we are now operating within the change stage as the strategy is introduced as a solution to the problems identified. Work will need to be undertaken with colleagues in Organisational Development and Communications to deliver and communicate this change before we can 'refreeze' the new, commercially informed, state of service delivery. It is likely that the three-year term of this strategy will see the organisation through the change phase and a new strategy introduced as we refreeze.

5.5. With Kotter's model too, there is an obvious pathway through from current-state to flux, to successfully embedded change. Kotter uses eight steps, which are explored in turn below:

- Create a sense of urgency: this, as mentioned in 5.4, has been created for us with the local government funding cuts over time and the recent budget round.
- Build a guiding coalition: this has been addressed by the strategy, with the income generation board, and by obtaining EMT buy-in.

- Form a strategic vision: this is served in the main by the Income Generation Strategy, but also by the Corporate Strategy which sets out deliverables that are more achievable with greater financial resilience, achievable through income generation.
- Enlist a volunteer army: early work with services aims to help identify those interested and passionate about working in a more commercial way and to harness the energy and enthusiasm of these services to encourage others – work with Organisational Develop will also look to build this network, and learning from the Change Champions who support the new office space work will be taken into account.
- Enable action by removing barriers: the existence of a formal strategy, with senior buy-in, helps remove the biggest barriers, and the development of the toolkits for cost-modelling and business case templates are also designed to remove practical barriers. The workbook that will be used with services has been developed to populate itself as much as possible, saving officers time in working through it, and further work with Organisational Development will identify ways to reduce other barriers.
- Generate short term wins: it is hoped that early fees and charges reviews will provide motivation for services as they see the ease of the process, and the greatly improved oversight managers gain from understanding their costs and activity in full. Case studies will be looked at with the Communications team, with a view to publicising these internally to show services how success can be achieved.
- Sustain acceleration: work to improve the resourcing of the service supporting this work is underway, and new capacity will help maintain momentum to keep delivering over the course of this year.
- Institute change: the final step, which will be a culmination of the previous steps, this will then need to be celebrated, formalised and iterated going forward.

5.6. Tuckman's model is more micro, and looks at team-level interactions rather than organisational level ones. This model will be useful in informing work within services, and will be where the input of managers around the organisation will be especially important in making the work a success at team levels. In Tuckman's group development, team growth is understood through the four phases of 'forming', 'storming', 'norming' and 'performing'. In the first instance as a team comes together, roles are established, negotiated and individuals orient themselves to the tasks at hand and each other. In this case, the teams exist, but will form themselves around the new task of commercial thinking. Storming follows, and is where conflict sometimes arises around responsibilities and relationships. With the income generation agenda, this could be considered to apply around the new mindset and approaches being asked of the team, and it is essential that teams are well-supported and allowed to work through their issues with the change. Finally, the norming phase arises as the team settles and work with commitment towards shared goals, and performing is attained when motivation and knowledge develop and enable high success within the

team. It will be the goal of the culture work to achieve this within teams, and accelerate their attainment of this final stage by providing support and tools to minimise any tensions around the requirement to take responsibility over commercial thinking.

## **6. Fees and charges work programme**

- 6.1. A full programme has been developed to ensure that all fee-charging services are worked with to establish cost-modelling and up-to-date charging levels.
- 6.2. Some work has already begun, particularly with services within the schools service level agreement and environment services, which has been facilitated by APSE. This work will be rolled out more widely with the newly developed toolkit that was produced and iterated using the learning from these initial reviews.
- 6.3. A full work programme is appended to this report, and sets out the timeframes for review, services programmed for review and the key information being captured alongside the full workbook.
- 6.4. The workbook itself will capture the business case, cost model, activity, basis for charging, concessions and other relevant factors to inform the setting and reviewing of fees and charges across a service. The information established here will then inform the annual Fees and Charges Report for next year.

## **7. Income function resourcing update**

- 7.1. Members will be aware that the pilot to create a central function for the oversight of income, procurement and contract management was agreed 28 June 2017 and as a result an interim internal appointment made in December 2017 and taking effect in January 2018.
- 7.2. A work programme for this function has been designed, published and is being delivered against, with Committee kept regularly apprised of the work being undertaken.
- 7.3. Alongside the income generation work programme set out in the update in July, this function is wide ranging in its scope and has been serving as the commercial link across services in the Council and has been involved in the following activity, either delivering directly or serving in an advisory capacity:
  - Work to exit the Kier contract and bring facilities management in-house;
  - Design and testing of an in-sourcing model;
  - Leading and strengthening the procurement function across the Council;
  - Work to support Adult Social Care in contracts and business case development;
  - Publication of the procurement measures within the first modern slavery statement for the Council;
  - Delivery of a new procurement social value policy and metrics for measurement of social value and publication in an annual report;

- Chairing the procurement sub-group of the Lewisham Deal for wider community wealth building; and
  - Besson Street joint venture procurement, initiation and governance.
- 7.4. Further to the value this function drives and acknowledgment of progress against the income work plan and the range of other duties, there has been recognition of additional resources required. This is being addressed through agreement of £200k of growth in the 2019/20 budget and was initially raised in Financial Forecasts 2018/19 tabled to PASC on 25 September this year. This will be required to ensure that the strategy is properly embedded and the benefits realised.
- 7.5. Work is currently underway (subject to formal agreement) to bring in three additional resources under the umbrella of the Procurement and Commercial Services team, plus an extension of the current interim role until the 31 March 2020. The three resources will report into the interim Strategic Procurement and Commercial Services Manager and will add significant resilience to the Council's procurement function whilst taking forward the hands on delivery of the Income Generation Strategy and the development of a Council wide contract management framework including systems and processes.
- 7.6. Procurement - to ensure that this continues to support the Council and to ensure robust and effective procurement which maximises value for money and minimises the risk of a successful challenge. We have seen a sharp and steady increase in the challenges received from tenderers which is requiring increased and senior support from the procurement function. This suggests that to mitigate this we require more investment in the process from the start to ensure that at every stage we minimise these risks.
- 7.7. Income generation - to effectively roll out the newly adopted income generation strategy, to continue to cost model all services within the Council for the annual fees and charges report, as well as developing the training and development piece which will ensure a cultural change to a commercial mindset across the Council. The governance structure as set out in the Income Generation Strategy, coupled with the senior support, will ensure Council wide support from all services but without a dedicated resource the identified fees and charges workplan and required cultural change will not be able to be successfully and properly implemented.
- 7.8. Contract management - the design and implementation of a Council wide system and processes for contract management (linked to the newly published contracts register) will ensure that we share good and best practice across the Council and will assist in driving efficiencies through the terms of our contracts. Improved contract management practice will also ensure consistently good levels of service delivery.
- 7.9. It is intended that these roles be a mixture of temporary and fixed term posts to allow for the evolution of the various strategies and practices within this relatively new service and for performance and feedback to be incorporated into the development of the final team structure.

## 8. Financial implications

8.1. There are no specific financial implications directly arising from agreeing the recommendations to this report.

## 9. Legal implications

9.1. There are no specific legal implications arising from the report. Any legal issues arising from the implementation of the deliverables referred to in the report will be considered in relation to that deliverable.

## 10. Further implications

10.1. There are no further implications, environmental, public safety or equalities related, arising from this report. These will be considered again as the work progresses.

## 11. Background documents

11.1. The table below contains background reports to Committee which informed this work as well as the existing Income Generation Strategy and Guidance published in 2015:

<b>Title:</b>	<b>Date:</b>
<a href="#">Lewisham Council Income Strategy and Guidance</a>	February 2015
<a href="#">Income generation review scoping report</a>	March 2015
<a href="#">Income generation review evidence session 1</a>	April 2015
<a href="#">Income generation review evidence session 2</a>	July 2015
<a href="#">Income generation review evidence session 3</a>	September 2015
<a href="#">Income generation review final report and recommendations</a>	October 2015
<a href="#">Response from Mayor and Cabinet to the recommendations of PASC on income generation</a>	March 2016
<a href="#">Income generation 6 month update</a>	July 2016
<a href="#">Income generation opportunities review</a>	October 2016
<a href="#">Income generation update</a>	November 2016
<a href="#">Income generation and commercialisation</a>	June 2017
<a href="#">Income generation and commercialisation update</a>	September 2017
<a href="#">Income generation and commercialisation update</a>	March 2018
<a href="#">Income strategy update</a>	September 2018
<a href="#">Income strategy update</a>	December 2018
<a href="#">Income strategy report for Mayor and Cabinet</a>	February 2019

11.2. The table below outlines the appendices to this report:

Appendix A	Fees and charges work programme
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## Appendix A

Wave	Service	Estimated Value - £m	Dates
Wave 1	Environment, Licencing, Schools SLA	9.44	Dec-Apr
Wave 2	Catering, Planning, Building control, Transport, Court fees, Bailiffs	8.82	Apr-Jun
Wave 3	Health, Lewisham Homes SLA	27.00	May- Jul
Wave 4	Parking, Other*	14.36	Jul-Aug

### Programme Overview

Other\* - These include services such as income from community parks, registrar fees, fees from charging students, rom hire, etc. Due to their relatively low value, these services have been grouped together.

To date, the following services have been contacted and the key findings have been tabulated below.

#### Schools SLA

Estimated Value	Activity	Charge	Review Start	Review End	Cost Model Completed	Business Case Completed
£831,817.00	Human Resources	Various	Dec-18	Mar-18	Yes	No
£351,300.00	Education Psychology	£595 per visit	Dec-18	Jan-18	Yes	No
£214,398.00	Governor Services	Various	Dec-18	Ongoing	No	No
£179,554.00	Information and Data Protection	£3.03 per pupil	Dec-18	Mar-18	Yes	No
£170,554.00	Attendance Service	Various	Dec-18	Mar-18	Yes	No
£162,534.00	Specific Learning Difficulty	£495 per visit	Dec-18	Jan-18	Yes	No
£8,125.00	Emergency Planning	£325 per school	Jan-18	Jan-18	Yes	No

#### Licencing

Estimated Value	Activity	Charge	Review Start	Review End	Cost Model Completed	Business case Completed
£350,000	HMO Licence	£500/ lettable unit	Dec-18	Mar-18	Yes	No